

## **Somerset Council Audit Committee Terms of Reference**

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### **1. Summary**

- 1.1.** Attached to this report are the suggested terms of reference for the Somerset Council Audit Committee. The terms of reference will form part of the post-vesting day Constitution, which will itself be adopted by this Council in the run-up to vesting day.
- 1.2.** The terms of reference are based on those suggested by CIPFA for local authority audit committees. The report also recommends that the new Audit Committee considers other aspects of the CIPFA Guidance during the 2023-24 municipal year.

### **2. Recommendations**

- 2.1.** That the Audit Committee recommends to Somerset County Council that the Audit Committee Terms of Reference set out in Appendix A to this report are approved as the Audit Committee Terms of Reference to be included in the Constitution of Somerset Council from 1 April 2023.
- 2.2.** That the Audit Committee of Somerset Council includes a review of the following matters in the light of the CIPFA Guidance in its 2023-24 workplan:
  - The optimum size of the Audit Committee and the use of substitutes
  - Its member training programme
  - Independent members (appointment, training and remuneration)

### **3. Background**

- 3.1.** In preparation for the vesting of Somerset Council on 1 April 2023, a new Constitution is being drafted for adoption prior to vesting day. The Audit Committee Terms of Reference form part of the Constitution.
- 3.2.** In 2022, CIPFA issued a Position Statement on Audit Committees in Local Authorities and associated Guidance which has been endorsed by the Department for Levelling Up, Housing and Communities and the Home Office (see Background Papers). The items set out at paragraph 5.1 of Appendix A are the CIPFA recommended terms of reference.
- 3.3.** The items set out at paragraphs 5.2 and 5.3 of Appendix A are optional additional terms of reference recommended for adoption and, apart from the Annual Approvals, have been taken from the CIPFA Guidance.

**3.4.** The CIPFA Guidance suggests that audit committees should actively consider their size and the appointment of independent members, and also review the attributes and training of all their members. CIPFA suggest that when selecting elected representatives or co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience and that members are

- trained to fulfil their role in a way that ensures they are objective, have an inquiring and independent approach, and are knowledgeable; and.
- enabled to promote good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- prepared to operate in an apolitical manner, treating auditors, the executive and management fairly, but able to challenge the executive and senior managers when required.

The Guidance notes that while expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training is of equal importance.

**3.5.** The revised Guidance from CIPFA is relatively new and it is recommended that the Audit Committee's work plan for 2023-24 includes a review of these areas and the CIPFA Guidance generally.

#### **4. Consultations undertaken**

**4.1.** The terms of reference have been considered by the members of both the LGR Programme's Governance Workstream and Finance Workstream and their comments have been taken into account.

#### **5. Background papers**

**5.1.** The following CIPFA Publications:  
CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Audit Committees: practical guidance for local authorities and police (2022 edition) - The audit committee member in a local authority

Audit Committees: practical guidance for local authorities and police (2022 edition) - Guiding the audit committee: Supplement to the audit committee member guidance

**Note** For sight of individual background papers please contact the report author